

ECO WORLD DEVELOPMENT GROUP BERHAD
(Company No. 17777-V)
(Incorporated in Malaysia)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1.0 PURPOSE

The primary objectives of the Audit Committee (as a sub-committee of the Board) is to assist the Board in discharging their fiduciary duties and overseeing the financial reporting process apart from ensuring that the results of the company's operations are fairly presented in its financial statements.

2.0 COMPOSITION

2.1 The Board shall appoint the Audit Committee from amongst themselves. The Audit Committee shall comprise no fewer than three (3) non-executive directors. The majority of the Audit Committee members shall be independent directors.

In this respect, the Board adopts the definition of "independent director" as set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any practice notes issued thereto.

2.2 All members of the Audit Committee have a working familiarity with basic finance and accounting practices, and at least one (1) member of the Audit Committee shall be:-

- (a) a member of the Malaysian Institute of Accountant ("MIA"); or
- (b) if he is not a member of MIA, he must have at least three (3) years of working experience and:
 - (i) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - (ii) he must be a member of one of the associations of the accountants specified in Part II of the First Schedule of the Accountants Act 1967; or

(c) fulfils such other requirements as prescribed by Bursa Securities.

2.3 No alternate director of the Board shall be appointed as a member of the Audit Committee.

2.4 The term of office and performance of the Audit Committee and each of its members shall be reviewed by the Nomination Committee annually to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.

ECO WORLD DEVELOPMENT GROUP BERHAD
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(Terms of Reference of Audit Committee – cont'd)

3.0 CHAIRMAN

- 3.1 The members of the Audit Committee shall elect a Chairman from amongst their number who shall be an independent director.
- 3.2 In the absence of the Chairman of the Audit Committee, the other members of the Audit Committee shall amongst themselves elect a Chairman who must be an independent director to chair the meeting.
- 3.3 The Chairman of the Audit Committee shall engage on a continuous basis with the Chairman, the President/Chief Executive Officer, the Chief Financial Officer (“CFO”), other senior members of management, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Company.

4.0 MEETINGS

- 4.1 The Audit Committee shall meet at least 4 times annually, or more frequently, at its discretion.
- 4.2 Upon the request of the external auditors, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider any matter the external auditors believe should be brought to the attention of the Audit Committee.
- 4.3 Notice of Audit Committee meetings shall be given to all the Audit Committee members unless the members of the Audit Committee waive such requirement.
- 4.4 The CFO, the head of internal audit and a representative of the external auditors will normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the Audit Committee.
- 4.5 At least twice a year and whenever necessary, the Audit Committee shall meet with the external auditors without the presence of executive Board members or management personnel.
- 4.6 Questions arising at any meeting of the Audit Committee shall be decided by a majority of members present, and in the case of a tie, the Chairman of the Audit Committee shall have a second or casting vote.

ECO WORLD DEVELOPMENT GROUP BERHAD
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(Terms of Reference of Audit Committee – cont'd)

- 4.7 The Company Secretary shall be the Secretary of the Audit Committee.
- 4.8 The Audit Committee members may participate in a meeting by means of conference telephone, conference videophone or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting.
- 4.9 A resolution in writing, signed by all the members of the Audit Committee, shall be as effectual as if it has been passed at a meeting of the Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more committee members.

5.0 QUORUM

The quorum for the Audit Committee meeting shall be the majority of members present whom must be independent directors.

6.0 MINUTES

- 6.1 Minutes of each meeting shall be kept at the registered office and distributed to each member of the Audit Committee and also to the other members of the Board. The minutes of the Audit Committee meeting shall be signed by the Chairman of the said meeting or by the Chairman of the next succeeding meeting.
- 6.2 The Chairman shall orally report on the proceedings of each Audit Committee meeting to the Board at the next Board meeting following the Audit Committee Meeting.

7.0 AUTHORITY

The Audit Committee shall, in accordance with a procedure to be determined by the Board and at the expense of the Company,

- (a) have explicit authority to investigate any matter within its terms of reference, and the resources to do so. All employees shall be directed to co-operate as requested by members of the Audit Committee.

ECO WORLD DEVELOPMENT GROUP BERHAD
(Company No. 17777-V)
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(Terms of Reference of Audit Committee – cont'd)

- (b) have full and unrestricted access to all information and documents/resources which are required to perform its duties as well as to the internal and external auditors and senior management.
- (c) obtain independent professional advice and secure the attendance of outsiders with relevant experience at its meetings, if necessary.
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any).
- (e) convene meetings with the external auditors, without the attendance of any executive member of the Audit Committee, whenever deemed necessary.

8.0 DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Audit Committee are as follows:-

- (a) To consider the appointment of the external auditors, the audit fee and any question of resignation or dismissal;
- (b) To discuss with the external auditors before the audit commences, their audit plan , the nature and scope of the audit;
- (c) To review the external auditors' management letter and management's response;
- (d) To ensure that assistance is given by the employees of the Company to the external auditors;
- (e) To review with the external auditors, their evaluation of the system of internal controls and their audit report;
- (f) To consider the major findings of internal investigations and management's response;
- (g) To review the quarterly results and year-end financial statements, focusing particularly on:-

ECO WORLD DEVELOPMENT GROUP BERHAD
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(Terms of Reference of Audit Committee – cont'd)

- changes in or implementation of major accounting policy changes;
 - significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed; and
 - compliance with accounting standards and other legal requirements.
- (h) To report its findings on the financial and management performance, and other material matters to the Board;
- (i) To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management, where necessary);
- (j) To do the following, in relation to the internal audit function:-
- review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - review any appraisal or assessment of the performance of members of the internal audit function;
 - approve any appointment or termination of senior staff members of the internal audit function; and
 - take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- (k) To determine the remit of the internal audit function;
- (l) To advise the Board of Directors and make recommendations in respect of risk management as to the following matters:

ECO WORLD DEVELOPMENT GROUP BERHAD
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(Terms of Reference of Audit Committee – cont'd)

- To monitor risk management processes are integrated into all core business processes and that the culture of the organisation reflects the risk consciousness of the Board;
 - Review the Risk Register and ensure that all risks are well managed;
 - Review the enterprise risk scorecard and determine the risks to be escalated to the Board once a year; and
 - Provide a consolidated risk and assurance report to the Board to support the statement relating to internal control in the Company's annual report.
- (m) To consider any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (n) To verify the allocation of employee share plan/employees' share option scheme ("ESOS") in compliance with the criteria as stipulated in the by-laws of the Company, if any;
- (o) To consider other topics as defined by the Board; and
- (p) To consider and examine such other matters as the Audit Committee considers appropriate.

The Audit Committee has no executive powers to implement its recommendations on behalf of the Board but to report its recommendations back to the Board for its consideration and implementation.

Where the Audit Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Main LR, the Audit Committee has the responsibility of promptly reporting such matter to Bursa Securities.